

Keynote remarks by
Tony T. Brown, Director

Community Development Financial
Institutions Fund (CDFI)

at the

National Urban League's
2003 Annual Conference

July 29, 2003
Pittsburgh, PA

CDFI
fund



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Contact: Bill Luecht
(202) 622-8042

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U.S Department of the Treasury**

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Thank you T. Willard, for the kind introduction. You are an outstanding leader in the great state of Florida. I bet that many people did not know that you and the President's brother, Florida Governor Jeb Bush, started a charter school together. I have long admired your work and have witnessed first hand the many contributions you have made to improve life for African-Americans in Miami. It's an honor to be introduced by you.

I am happy to have been invited to participate and to talk about Treasury's role in improving the lives of all Americans and I send you greetings from the Secretary of Treasury, John Snow.

I am not in your program booklet. I am a last minute addition due in part to the resilience of your CEO, Marc Morial. I met Marc Morial immediately following his installation as your new national president and CEO.

Marc told me that he wants the NUL to be recognized as the premier organization in the nation for empowering African-Americans to enter the economic mainstream. Marc was in Washington in search of the funds that would finance his vision for the Urban League. In other words, the brother wanted to know "where the money was at!"

He came calling on the United States Treasury!

Treasury's responsibilities are broad and we have not always been at the table when African-American leaders gather to talk about economic development issues. When it comes to money, the U.S. Treasury's resources are vast:

- We coin and print it (US Mint and Bureau of Engraving and Printing)
- We collect it (IRS)
- We manage the flow of it (Financial Management Service and the Bureau of Public Debt)
- We even regulate how bankers lend it (Office of the Comptroller of the Currency and the Office of Thrift Supervision)

- All Treasury bureaus.

Marc quickly discovered the wonderful resources at Treasury and he invited me - not to give a speech - but to explain how our resources at the Treasury Department could help to empower the League's affiliates to do more for the communities they serve. In other words, he asked "brother can you write me a check!"

My brief comments today will focus on one office within the Department of the Treasury - the Community Development Financial Institutions (CDFI) Fund.

When it comes to cash, while the other Treasury bureaus print it, collect it, manage and regulate the flow of it, at the Fund, we have the responsibility of making investments and managing billions of dollars in cash and New Markets Tax Credit incentives to make sure every American has access to capital ... to start a new business, to develop affordable housing, to build communities

This makes us partners with you in the movement for economic justice and empowerment.

And, you heard first hand from my boss, President Bush, about what our part of this partnership means.

- President Bush will not be satisfied until every American who wants a job can find one;
- The President is committed to creating lasting prosperity that reaches every corner of America.

The President shared his vision for America with you - personally and with conviction. This now makes my job easier. I am here to close the deal.

As you will hear shortly from HUD Deputy Secretary, Alphonso Jackson, we have the responsibility for carrying out the President's vision for community and economic development.

I applaud the Urban League's numerous efforts to help the members of our community attain economic self-sufficiency. The Urban League is on the frontline helping to bring economic growth and stability to our communities, jobs for those who need them, homeownership for those who want it, and wealth accumulation so that all people can be a part of this country's prosperity.

Let me share with you the mission of the CDFI Fund and how we help improve the economies of our nation's low-income communities:

- The CDFI Fund is an integral part of Treasury's strategy for promoting a prosperous U.S. economy and preserving the integrity of financial institutions.
- Our vision at the CDFI Fund is a "United States in which all people have access to credit, capital and financial services."
- We do this by expanding the capacity of financial institutions to provide credit, capital and financial services to underserved populations and communities in the United States.



Put simply, the CDFI Fund invests in institutions that in turn provide capital and financial services to underserved people and communities.

Let me explain what we do:

1. We manage the Bank Enterprise Award Program. This program provides a cash incentive for banks to invest in certified CDFIs and to increase their level of loans and financial services in our nation's most economically distressed areas.

- The three banks participating on this panel, for instance, have received \$17.3 million in cash from the CDFI Fund for investing in certified CDFIs and our nation's most economically distressed areas. I characterize these dollars as dividend payouts by the U.S. Treasury to these banks for having made over \$246.3 million in expanded capital access. That means for every \$1 we awarded these banks, they completed \$14 in eligible activities. Thank you.

2. We manage the CDFI Program. The Fund promotes access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs):

- The organizations we support are able to lend in ways that are more flexible or innovative than traditionally regulated financial institutions. To date, we have certified 679 financial institutions as CDFIs across the country.
- Some people like to characterize CDFIs as lenders of last resort. That's not how I see the network of financial institutions we support. Like you, CDFIs are visionaries. They are not lenders of last resort. These institutions are lenders with high hopes.
- Like the Urban League, these organizations know the value of America's human spirit.
- And the President's mandate for the Fund is for us to invest in CDFIs that can produce measurable results in our nation's most economically distressed areas. CDFIs that are lending in our nation's most economically distressed areas and meeting the Administration's top priority for job creation and homeownership loans to minorities received first priority for funding under the last funding round of the program, in accordance with the notice of funds availability, introduced by the Bush Administration.
- This means that CDFIs actively engaged in helping minorities achieve homeownership and that are active lenders in the League's affiliate markets are advantaged. Let me explain.
- My staff has done some research and I can tell you that of the 105 Urban League Affiliates around the nation, substantially all of you were headquartered

in communities eligible for CDFI Fund investments. What was most impressive from this research is that nearly half of you are located in areas targeted by the Fund as economically distressed areas - high poverty and unemployment areas, including areas with high housing costs relative to the need for affordable housing.

- I share this research with you to simply acknowledge how value your network is in distributing services for economic and community development and why you are an important partner to helping the President achieve his goal for increased minority homeownership.
 - To participate in the CDFI and BEA Programs you must literally be a lender. Marc asked me, however, to spend time talking with you about our newest program - the New Markets Tax Credit Program.
3. The New Markets Tax Credit (NMTC) Program
- In December 2000, the Community Renewal Tax Relief Act was signed into law. This law created the New Markets Tax Credit Program, which is designed to help stimulate up to \$15 billion of needed private sector investments in low-income communities across the country.

How it works

- An organization applies to the CDFI Fund to become certified as a CDE. To qualify as a CDE, the entity must have a mission of community development and demonstrate accountability to the low-income communities served;
- The CDE applies for an allocation of NMTCs;
- If the CDE is awarded an allocation of tax credits, it may offer them to its equity investors;
- Investors can receive NMTCs worth 39% of the invested amount over the seven-year life of the credit. Investors may not redeem their investments in the CDE prior to the conclusion of the seven-year period;
- The CDE must use substantially all of the proceeds from these investments to make Qualified Low-Income Community Investments (QLICs). QLICs include:
 - Loans and investments in support of commercial real estate development in low-income communities;
 - Loans and investments to businesses operating in low-income communities;
 - Loans and investments to other CDEs;
 - The purchase of loans made by other CDEs to businesses operating in



low-income communities; and

- The provision of counseling to businesses operating in low-income communities.
- In March 2003, we allocated \$2.5 billion in such equity under the first round of the program.
- The second round of the program officially opened Friday, July 18, 2003 and applications are due on September 30, 2003.
- Up to \$3.5 billion in NMTC authority is being made available.
- The first round was highly competitive. We received 345 applications requesting \$25.8 billion in credits, thus indicating a significant need for equity capital in low-income communities.
- I encourage you to visit our booth, #148, to learn more about this program and to register for a video teleconference we are co-sponsoring with HUD on August 6th.

Improving the economies of our nation's low-income communities is viewed by the Treasury Department as a comprehensive and collaborative undertaking that must involve federal interagency cooperation and public-private initiatives. This is why Deputy Secretary Jackson and I are here. This is why the President came to visit with you.

You are frontline advocates working tirelessly to move African-Americans into the economic and social mainstream.

We invite you to join Treasury's financial network of certified CDFIs (if you are a lending entity) or certified CDEs (if you are engaged in any type of commercial real estate or for-sale housing project). To do this, the organization must become certified by the CDFI Fund and meet the criteria that has been established for CDFIs and CDEs.

Please stop by our booth or visit us on our website at www.cdfifund.gov.

Thank you.